

**State Employee Benefits Committee
Tatnall Building, Room 112
Dover, Delaware 19904**

The State Employee Benefits Committee met May 8, 2017. The following people were in attendance:

Committee Members:

Mike Jackson, Director, OMB
Rick Geisenberger, Secretary of Finance
Evelyn Nestlerode, Designee of Chief Justice, Administrator of Courts
Trinidad Navarro, Insurance Commissioner
Ken Simpler, Treasurer
Jeff Taschner, DSEA
Kara Walker, Secretary of DHSS
Keith Warren, Designee of the Lt. Governor
Victoria Windle, Designee of the Controller General

Guests:

Brenda Lakeman, Director, SBO
Faith Rentz, Deputy Director, SBO
Lisa Porter, SBO
Andrew Kerber, DOJ
Vickie Buchler, Retired School Employee
Larry Buchler, Retired School Employee
Mark Collender, Retired DE State Trooper
Steven Costantino, DHSS
David Craik, Pension Office
Wayne Emsley, DRSPA
Jacqueline Faulcon, DRSPA
Karin Faulhaber, PHRST
Susan Fewell, DRSPA
William Flayhart, Retired School Employee
J. Cagney France, DRSPA
John Freebery, Retired School Employee
Larry Gabbard
Kim Hawkins, City of Dover
Deloris Hayes-Arrington, Finance
Leighann Hinkle, SBO
Lisa Kane, DRSPA
Chip Kane, DRSPA
Denise Kiesslig, DRSPA

Guests (continued):

Richard Kuntz, DRSPA
Russ Larson, The Byrd Group
Dave Leiter, DHSS
Julie Maguire, DRSPA
Regina Mitchell, OMB
Kathy Nerlinger, UofD
Bill Oberle, DSTA
Falishia Oron
Carol Parrish, Brandywine SD
Lori Peddicord, City of Dover
Cynthia Pochomis, Retired School Employee
Karol Powers-Case, DRSPA
Paula Roy, DCSN
Sara Russell, DRSPA
Becky Scarborough, DRSPA
Dr. George Schreppler, DCSN
Christine Schultz, PGS
Kaitlyn Slavish, Governor's Office
Donna Smallwood, Brandywine SD
Jim Testerman, DSEA-R
Kathleen Thomas, DRSPA
Linda Thompson, DRSPA
Lois William, DRSPA

Julie Caynor, Aetna
Jennifer Mossman, Highmark
Pam Price, Highmark
Judy Grant, HMS
Walt Mateja, Truven Consulting
Kevin Fyock, Willis Towers Watson
Chris Giovannello, Willis Towers Watson
Jaclyn Iglesias, Willis Towers Watson
Rebecca Warnken, Willis Towers Watson

Introductions/Sign In

Director Jackson called the meeting to order at 2:02 p.m. Introductions were made.

Approval of Minutes - handout

The Director requested a motion to approve the minutes from the April 21st SEBC meeting. Secretary Walker made the motion and Mr. Taschner seconded the motion. The motion carried.

Director's Report – Brenda Lakeman, Statewide Benefits Office (SBO)

Open Enrollment (OE) Updates:

- Benefit Representative educational meetings were attended by 209 HR/Benefit reps
- Employee Education Sessions held with a total attendance of 687, an increase of 281 or 69% over 2016
- The Health Fair held May 1st, had approximately 175 in attendance
- 2017 Open Enrollment Curriculum of Mini-Videos stats:

- 8,131 total completed “What’s New” video (includes DLC, Schoology and Separate Website Access Link); DLC and Schoology only show 7,926 completed, 27.1% overall participation rate as a total of 29,237 employees were assigned the course in DLC and Schoology
- Delaware Learning Center (DLC):
 - 6,069 completed video and evaluation; 42.3% participation rate as a total of 14,360 employees were assigned the course
 - Views recorded for other videos and additional stats will be sent out by SBO and provided on a dashboard throughout OE
- Survey feedback is very positive
- myBenefitsMentor Tool has 41,335 eligible users with 3,351 logins to date
- The issues involving Highmark & Milford Medical Associates have been resolved. Commissioner Navarro added this could have affected 6,500 people. Mid Atlantic in Lewis has submitted their termination effective July 1st yet remains in negotiations with Highmark.
- The On-site Clinic RFI has received 11 responses. WTW will provide a presentation at the May 15th meeting with the Proposal Review Committee. Responses are on the bids.delaware.gov website.

Considerations for FY18 Changes - handout – Willis Tower Watson (WTW)

Kevin Fyock began with an overview of the contents. The Focus areas for the GHIP have been discussed in prior meetings and link back to tactics within the GHIP Strategic Framework. A background overview of the Health Plan Task Force (HPTF) was conducted showing items from the report used to create the tactics. Summary of findings from the HPTF report were reviewed and organized into two categories of Supply and Demand. Audit revealed no substantial findings. The executive summary of the audit will be forwarded by SBO. Mr. Taschner reminded that on page 21 in the HPTF report, it revealed the largest payment is to hospitals and the large difference the State of Delaware (SOD) is paying compared to other states. It was reiterated that an analysis of payments compared to other entities was not within the scope of the audit. Treasurer Simpler added that what hasn’t happened is the benchmarking that includes a true cost of care done on the employee and the hospital side. Dr. Walker shared audits are helpful in looking backwards but need to ask how to change that supply side dynamic as in discussions on levers, negotiating contracts, have discussions on prices where a body can do reference pricing showing average for the region as with an audit having an executive summary or approach to use it as part of the productive conversation. Mr. Taschner added that is exactly what the HPTF was looking for and did not get done. Secretary Geisenberger stated clearly we will need a broader health care reform which will occur over five to seven years but won’t reach the problem we are facing now. Mr. Taschner added this problem is not specific to the GHIP, but affecting all buyers of commercial insurance in Delaware. There might be an elevated price structure that is effecting everyone when going out to buy health care, as we did hear a different side from the hospitals which was never resolved.

Mr. Fyock shared how the HPTF findings tie back to the strategic framework as there weren’t any that did not link back. Even though action has been taken to reduce prescription drug (Rx) costs, WTW will continue to monitor the specialty prescription trend as the contract negotiated with ESI has had substantial savings and will keep abreast of situation with new clinical management. Treasurer added the last couple of months, the pharmacy EGWP and non-EGWP had been offsetting for a while, through December, netting zero. Since that time, both on the rebate and drug side, the trend is growing both in the wrong direction. The Treasurer asked WTW to look at the eight or nine month drug trend on both the rebate and drug side. On the rebate side, timing has changed with the new contract and it was confirmed that rebates come back to the State. As there has been a shrinkage of PBM vendors, and ESI recently lost Anthem, this has no impact to the GHIP.

Jaclyn Iglesias presented the Medicare retiree design for ESI non preferred generic prescriptions (Rx) for SEBC consideration to cast a vote today. Traditional mechanisms for managing Rx cost and utilization in commercial populations are not available to plan sponsors with an Employer Group Waiver Plan (EGWP) population. ESI developed a new formulary tier available to the State’s EGWP population for Non-Preferred Drugs (NPD) that allows for greater management for both brands and high cost generics in a mechanism approved by CMS. 830 National Drug Codes are approved by CMS for NPD tier. ESI modeled the cost impact to the member under several scenarios which all or certain classes of high cost generics would be shifted into a NPD tier. Members can appeal to CMS if alternative generic doesn’t

work to get the lower price for the high-cost generic; only CMS can approve as SEBC does not have authority. Non Preferred Generic rates shift for 1-31 day supply at a flat rate of \$8.00 to \$50.00, for a 32-90 supply from \$16.00 to \$100.00. There are other lower cost drug options available and examples of these lower cost alternatives were reviewed. Members are notified in advanced.

Highmark has developed a structured diabetes prevention program (DPP) with the goal of preventing the onset of diabetes in individuals who are pre-diabetic. Effective 1/1/18, CMS has mandated a DPP as a covered benefit for Medicare. Highmark is collaborating with two vendors to offer a solution for pre-diabetes: RetroFit is the virtual vendor and YMCA is the on-site vendor. Intent is to cover the program as a Preventive benefit (covered at 100%) with no cost to members. Key component is to focus on weight management with additional benefit details outlined. WTW has estimated potential (cost)/savings ranges from (\$136,000) to \$684,000. The fee is paid (by the GHIP) only if someone completes the program with no charge to the member. Treasurer stated going forward when we adopt these recommendations, requested WTW put a baseline down so SEBC can revisit a year from now for actual savings.

Rebecca Warnken presented the Active/Pre-65 retiree combination design/cost sharing scenarios illustrating the FY18 State and General Fund savings associated with alternatives effective January 1, 2018 of adding deductibles to the HMO and PPO plans and increase the overall active/pre-65 retiree cost share by 1%, 2% and 3%. Savings from adding deductibles are partially offset by a reduction in premium revenue. Increases move cost sharing in the direction towards market norms. Employee impact was illustrated for FY18 employee/pensioner annual contribution as a percent of pay based on current contribution levels and for each plan design. It was requested to include the dollar amount in the table; as referenced in slide 29 to include the dollar increase to employee for each category.

The Next Steps were reviewed to be covered at the next and upcoming meetings.

State Employees Salary Analysis - handout – Willis Tower Watson (WTW)

Rebecca Warnken presented this analysis with an illustration of employees enrolled in the GHIP. Average salary of active State employees enrolled in the GHIP is \$53,268. Average contribution is \$1,587 or roughly 3% of average salary. The portion of employees enrolled in the richest plan (PPO) increases with salary; as the percentage of individuals enrolled in the least rich plan (FSB) decreases with salary. A significant percentage of employees in the lowest salary bands waived coverage with no known reason. Enrollment by department and salary band was illustrated. It was requested to show detail by the four levels of coverage: Employee, Employee + Spouse, Employee + Child(ren) and Family. Employees receiving flex credits are more likely to enroll in the PPO plan which has the highest contributions. If flex credits are not used, the employee loses the credits and these are returned to the school district. An illustration showing the plans and number with percentages of Flex Credits and No Flex Credits was reviewed. Details for each plan and the salary and contribution summary was included in the handout.

Public Comments

Ted George, Retired School Employee, expressed the need to consider retirees when voting as most retiree pension amounts are \$10,000 to \$12,000 annually due to the impact of the prescription drug increases and to revamp the three tier plan.

Susan Fewell, Retired School Employee, shared there is a correlation of education and good health and to think of holding on to the health care plan for retirees.

Dave Leiter, DHSS, asked the committee to make sure the lower pay grades one through seven and the retirees are taken care of. Three to four years ago, the average pay grade was seven making \$26,000 to \$27,000. Mr. Leiter inquired how much are WTW and the other vendors paid.

Kathleen Thomas, Retired School Employee, shared her personal experience with her parent's hospital bills and asked the committee to keep people at the forefront of decision making processes and to allow the legislature to balance the budget, not on the backs of employees or retirees.

Cynthia Pochomis, Retired School Employee, expressed gratitude for the benefits and shared personal experience. Retirees can't afford these increases. Please don't use the health care fund to fix the budget.

Mark Collender, Retired DE State Trooper, inquired if the stats include State Police which they do. Compensation should be fair and be careful increasing benefit costs and using salary banded contributions as employee's life status counts.

Jack Freeberry, Retired School Employee, shared a personal experience on pensionomics as his pension declined 18% and health care cost premiums increased from \$103 to \$219 monthly and the Rx copays increased. Loss of programs will effect retirees. Seems all this is trying to close the budget gap.

Wayne Emsley, DRSPA, expressed appreciation for the effort of the SEBC Committee. Public school employees ask to refrain from these increases. Let the Governor and legislature balance the budget and SEBC manage the health care fund. As SEBC has the authority to increase copays and deductibles, please leave these alone and read seven reasons from his letter which was handed out to the committee members.

Karol Powers-Case, DRSPA, shared that many doctors in Sussex County no longer accept Highmark as PCPs say Highmark takes too long to pay and too much paperwork.

Other Business

Director Jackson stated the need to have another meeting before the scheduled June 26th meeting to cover specified agenda items to be provided and possibly vote on the Highmark Diabetes Prevention Program (DPP).

Motions

Brenda Lakeman then requested a motion to approve the ESI high cost generic program for the State's EGWP population effective January 1, 2018. Secretary Geisenberger made the motion and Secretary Walker seconded it. Motion carried. Mr. Taschner asked to provide a strong outreach to those people impacted and follow up statistics on appeal process.

Director Jackson announced the next meeting is tentatively scheduled for Friday, June 9th with more information to come once finalized. The Director then requested a motion to adjourn the meeting. Treasurer Simpler made the motion and Secretary Geisenberger seconded the motion. Meeting adjourned at 4:55 pm.

Respectfully submitted,

Lisa Porter
Executive Secretary
Statewide Benefits Office